

**VIRGINIA CIRCUIT COURTS  
STATEWIDE REPORT**

**REPORT ON AUDITS  
DURING THE PERIOD  
JULY 1, 2001 THROUGH JUNE 30, 2002**



## **AUDIT SUMMARY**

During our audits of Clerks of Circuit Court during the period July 1, 2001 through June 30, 2002, we identified the following five findings that we consider statewide issues that are common to several circuit courts:

- Improve Accounts Receivable Management
- Properly Monitor and Disburse Liabilities
- Properly Assess and Record Court Fees and Costs
- Improve Trust Fund Management
- Properly Manage and Supervise Court Operations

Statewide issues are those internal control findings or compliance issues that require that the Executive Secretary of the Supreme Court, as the circuit court administrator, consider issuing new guidelines or providing training to help specific clerks' offices improve. In addition, the Executive Secretary should consider including these issues when conducting statewide training for all clerks' offices.

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SUPREME COURT OFFICIALS

November 27, 2002

The Honorable Mark R. Warner  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Kevin G. Miller  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

We are pleased to submit our statewide report on the **Virginia Circuit Court System** during the period July 1, 2001 through June 30, 2002. The Supreme Court of Virginia establishes the rules of practice and procedure for the circuit courts while the Executive Secretary of the Supreme Court acts as the administrator of the circuit court system.

Our audits determined whether the Clerks of the Circuit Court have maintained accountability over collections, established internal controls, and complied with state laws and regulations. We used a risk-based audit approach for circuit courts that assesses risk for each individual court to determine the amount of testing we would perform.

During this period, we conducted 115 Clerks of Circuit Court audits and had findings in 32 offices. Six clerk's offices were not audited during the period. We have previously communicated findings for individual circuit court audits to the appropriate Clerks of the Circuit Court, Chief Judges, and local governing bodies.

This report summarizes the findings from our audits that we consider statewide issues that were common to several clerks' offices. Statewide issues are those internal control findings or compliance issues that require that the Executive Secretary of the Supreme Court, as the circuit court administrator, consider issuing new guidelines or provide training to help these offices improve. In addition, the Executive Secretary of the Supreme Court periodically holds training for all clerks' offices and should consider emphasizing these matters during future training sessions.

We identified the following five findings that we consider statewide issues common to several circuit courts:

- Improve Accounts Receivable Management
- Properly Monitor and Disburse Liabilities
- Properly Assess and Record Court Fees and Costs
- Improve Trust Fund Management
- Properly Manage and Supervise Court Operations

A further discussion of these statewide findings is located in the “Statewide Internal Control and Compliance Issues” section of this report.

AUDITOR OF PUBLIC ACCOUNTS

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kva:

## STATEWIDE INTERNAL CONTROL AND COMPLIANCE ISSUES

We identified the following five findings that we consider statewide issues common to several circuit courts.

### Improve Accounts Receivable Management

We found that many clerks do not properly establish, monitor, or collect accounts receivable. Specifically, we found the following conditions:

- Clerks alter due dates in the court's financial management system without a court order or obtaining a signed pay agreement in accordance with Section 19.2-354 of the Code of Virginia. All fines and costs are payable immediately upon final disposition unless otherwise ordered by the court or evidenced by a written payment plan. Court staff should not alter due dates unless they have an established or revised payment agreement so that defendants understand their obligation to the court. Allowing due date changes without proper supporting documentation significantly raises the risk of loss of funds due the Commonwealth.
- Clerks do not promptly enter unpaid fines and costs in the court's automated financial system. We found instances where clerks did not enter fines and costs until up to 45 days after sentencing. Additionally, clerks do not promptly enter judgments for failing to pay fines and costs in the Judgment Lien Docket, as required by Section 8.01-446 of the Code of Virginia. We found many cases not entered into the Judgment Lien Docket book and others entered up to six months after trial date. Clerks should promptly enter all fines and costs in the automated financial system to ensure that the collection process can proceed. Judgments should be entered in the Judgment Lien Docket without delay.

Inadequate management of accounts receivable inhibits the collection of fines and costs. Clerks should follow Supreme Court guidance and the Code of Virginia requirements when establishing and managing the court's accounts receivable. The lack of such procedures and improper due date changes hinder collection efforts and could result in the loss of revenue for the Commonwealth.

Accounts receivable issues were noted at the following Clerk of Circuit Court offices:

Appomattox County	Greene County
Charles City County	King George County
City of Arlington	Louisa County
City of Charlottesville	Powhatan County
City of Colonial Heights	Prince William County
City of Petersburg	Roanoke County
City of Winchester	Rockingham County
Clarke County	Sussex County
Fairfax County	Washington County

### Properly Monitor and Disburse Liabilities

Some clerks are not properly monitoring or promptly disbursing liabilities such as civil and criminal bonds and unclaimed properties. Specifically, we identified the following weaknesses:

- Clerks failed to prepare the annual Unclaimed Property Report as required by Section 55-210.12 of the Code of Virginia. We identified \$116,842 in property potentially eligible for escheatment to the Commonwealth. Clerks should review all liabilities and outstanding checks annually and report and escheat amounts over one year old to the State Treasurer. Clerks can be personally liable for interest and penalties for failing to send eligible property to the Division of Unclaimed Property.
- Clerks are unnecessarily holding escrow, restitution, and civil and criminal bonds totaling \$100,027 up to 12 years after case disposition. Section 58.1-3177 of the Code of Virginia provides that the Clerk may be personally liable for any loss of income for failing to pay out money so ordered by the court within 60 days of a court order. In some cases, a clerk's failure to properly disburse liabilities could result in a substantial personal liability.

Clerks should monitor liability accounts and promptly disburse these funds upon conclusion of the cases. Clerks should also send any unclaimed property to the Division of Unclaimed Property after applying due diligence procedures.

Liabilities issues were noted at the following Clerk of Circuit Court offices:

Accomack County	City of Salem
Brunswick County	Dinwiddie County
City of Colonial Heights	Montgomery County
City of Petersburg	Rockingham County

#### Properly Assess and Record Court Fees and Costs

Some clerks do not properly assess and record fees and costs in accordance with the Code of Virginia. We found errors in the assessment of time-to-pay management fees, drug offender fees, public defender fees, forensic laboratory fees, and the application of fixed felony fees when defendants had multiple charges. We also found offices that did not enter all case information into the court's financial management system or altered amounts from the court-ordered amounts without supporting documentation. Clerks need to be more diligent in the proper assessment of fees and costs to help ensure compliance with the Code of Virginia.

Improper assessment of fees or costs were noted at the following Clerk of Circuit Court offices:

Charles City County	Prince George County
Clarke County	Rockingham County
King George County	Sussex County
Louisa County	Wythe County

#### Improve Trust Fund Management

Some clerks need to improve the management of trust funds. In several instances, clerks failed to post earned interest to trust fund accounts in the financial management system and subsequently failed to report these amounts on the annual report to the court. Also, we identified trust funds of approximately \$25,000 not invested in accordance with Section 8.01-600 of the Code of Virginia. Finally, several clerks did not properly or promptly submit the required annual report to the court.

Clerks should ensure that they properly invest, record, and report all funds in accordance with the Code of Virginia. Clerks should reconcile all trust fund bank balances to the financial system upon receipt of bank statements and promptly investigate and resolve any differences. Without an adequate reconciliation process, a clerk cannot ensure proper reporting and payout of trust fund accounts. By law, the clerk may be personally liable for any loss of income that results from inadequate procedures.

Trust fund findings were noted at the following Clerk of Circuit Court offices:

City of Buena Vista  
City of Petersburg  
Frederick County

Middlesex County  
Powhatan County

#### Properly Manage and Supervise Court Operations

We found several courts where the clerks do not fully understand the automated financial systems. This lack of understanding resulted in numerous errors including improper reconciliation of salary expenses, improper deletion of condemnation accounts, incomplete daily cash reconciliation worksheets, and improper corrective action on several cases appearing on daily exception reports. As clerks have the ultimate responsibility for their offices' accounting operations, they should ensure that they and their staff possess an appropriate understanding of the court's automated systems and proper accounting procedures. It is also very important that the clerks adequately supervise their staff to ensure that they have the knowledge needed to perform their duties. Without the appropriate knowledge and subsequent enforcement of accounting and system procedures, clerks risk further non-compliance with state regulations and increase the risk that errors or omissions in accounting records will go undetected and state and local fines and costs may go uncollected.

We noted this issue at the following Clerks of Circuit Court offices:

Charles City County  
City of Colonial Heights  
City of Petersburg

Dinwiddie County  
Powhatan County



## APPENDIX

### Circuit Court Audits - July 1, 2001 Through June 30, 2002

Accomack County*	Giles County	Pittsylvania County
City of Alexandria	Gloucester County	City of Petersburg*
Alleghany County	Goochland County	City of Portsmouth
Amelia County	Grayson County	Powhatan County*
Amherst County	Greene County*	Prince George County*
Appomattox County*	Halifax County	Prince William County*
City of Arlington*	City of Hampton	Pulaski County*
Augusta County	Hanover County	City of Radford
Bath County	Henrico County	Rappahannock County
Bland County	Henry County	Richmond County
Bedford County	Highland County	Richmond City-John Marshall
Botetourt County	City of Hopewell	Richmond City-Manchester
City of Bristol*	Isle of Wight County	Roanoke County*
Brunswick County*	James City County/Williamsburg	City of Roanoke
City of Buena Vista*	King & Queen County	Rockbridge County
Buchanan County	King George County*	Rockingham County*
Buckingham County	King William County	Russell County
Campbell County	Lancaster County	City of Salem*
Caroline County	Lee County	Scott County
Carroll County	Loudoun County	Shenandoah County
Charles City County*	Louisa County*	Smyth County
City of Charlottesville*	Lunenburg County	Southampton County
City of Chesapeake	City of Lynchburg	Stafford County
Chesterfield County	Madison County*	City of Staunton
Clarke County*	City of Martinsville	City of Suffolk
City of Colonial Heights*	Mathews County	Surry County
Craig County	Mecklenburg County	Sussex County*
Culpeper County	Middlesex County*	Tazewell County
Cumberland County	Montgomery County*	City of Virginia Beach
Dickenson County	Nelson County	Warren County*
Dinwiddie County*	New Kent County	Washington County*
Essex County	City of Newport News	City of Waynesboro
Fairfax County*	City of Norfolk	Westmoreland County
Fauquier County	Northampton County	City of Winchester*
Floyd County	Northumberland County	Wise County & Norton
Fluvanna County	Nottoway County	Wythe County*
Franklin County	Orange County	York County
Frederick County*	Page County	
City of Fredericksburg	Patrick County	

\* Denotes audits with one or more findings

SUPREME COURT OFFICIALS

The Honorable Harry L. Carrico  
Chief Justice of the Supreme Court of Virginia

Robert N. Baldwin, Executive Secretary  
Office of the Executive Secretary of the Supreme Court of Virginia